

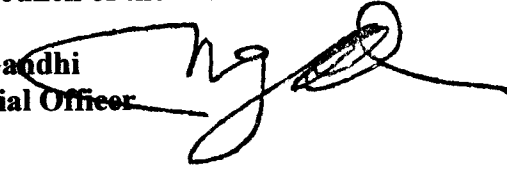
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** April 2, 2009

**SUBJECT:** Fiscal Impact Statement – “Retail Service Station Amendment Act of 2009”

**REFERENCE:** Bill Number 18-89 – As Introduced

---

**Conclusion**

Funds are sufficient in the FY 2009 budget and the FY 2010 through FY 2013 proposed budget and financial plan to implement the provisions of the proposed legislation. Enactment of the proposed legislation does not have an impact on the District’s budget and financial plan, but re-regulates the ownership of retail service stations.

**Background**

The proposed legislation would amend the Retail Service Station Act of 1976<sup>1</sup> to further restrict conversion of full service retail stations to gas-and-go stations<sup>2</sup> and to create a right of first refusal<sup>3</sup> to service station dealers and “jobbers” (wholesale suppliers or distributors of motor fuel) for the sale of service stations they lease, operate, or otherwise control.

The Retail Service Station Clarification Amendment Act of 2007<sup>4</sup> allows jobbers to own and operate service stations in the District. Exxon Mobile Corporation recently announced it will sell some of its service stations, including about 30 in the District. These two developments, when combined, may lead jobbers to purchase Exxon’s service stations, which are currently leased

---

<sup>1</sup> Effective April 19, 1977 (D.C. Law 1-123; D.C. Official Code § 36-301.01 *et seq.*)

<sup>2</sup> Gas-and-go stations do not contain a full service repair shop.

<sup>3</sup> Right of first refusal is a call option—it is a contractual right that gives its holder the option to enter a business transaction with the owner of a property or an asset, according to specified terms, before the owner is entitled to enter into that transaction with a third party.

<sup>4</sup> Effective January 29, 2008 (D.C. Law 17-80, D.C. Official Code § 36-301.01 *et seq.*)

under franchise agreements by independent operators, and convert these service stations' repair facilities to convenience stores. The proposed legislation would restrict such conversions.<sup>5</sup>

Specifically, the proposed legislation would require that jobbers, like other lessees, operators or controllers of service stations, to prove, prior to a request for an exemption to convert a full service retail station or to substantially reduce the number, types, quantity or quality of the repair, maintenance, and other services, that:

1. The station is experiencing extreme financial hardship;
2. There is another retail service station offering equivalent services within one mile of that station; and
3. The Gas Station Advisory Board would give due weight to the views of the community and the Advisory Neighborhood Commission.

The proposed legislation would also add a new provision<sup>6</sup> on a franchisee's purchase rights, including a right of first refusal; in the case of a lease, when the franchisor considers selling the service station (a) the first offer to sell, transfer, or assign the franchisor's interest in the service station, or (b) if applicable, when an offer is made by another, a right of first refusal will be made to the franchisee.

However, a franchisor will not be required to continue an existing franchise agreement or to renew it if not otherwise required by federal law. In case a franchisor intends to withdraw from the marketing of fuel through retail and distribution, the franchisor will provide prompt notification of plans and schedule to the District. Finally, the proposed legislation creates a right of action: violation of the law could be the subject of a suit in Superior Court for injunctive relief.

### **Financial Plan Impact**

Funds are sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation does not have an impact on the District's budget and financial plan, but re-regulates ownership, conversion of quantity or quality of the repair, maintenance, and other services, and transfer of ownership of retail service stations.

It is important to note that the most recent revenue estimate issued by the Office of the Chief Financial Officer on February 20, 2009<sup>7</sup> already takes into consideration a significant downturn in the economy, including a 1.2 percent contraction in real gross state product and a 15 percent reduction in motor fuel sales tax collections to reflect the worsening economic conditions in the District. The proposed legislation is unlikely to create an effect on the District's economic activity that will go above and beyond what is already incorporated in the revenue estimates.

---

<sup>5</sup> According to 2002 Economic Census data, the District had 105 automotive repair and maintenance establishments, and 83 gas stations. 39 of these gas stations have attached convenience stores. Others may or may not have automotive service stations attached.

<sup>6</sup> Section III-A of the proposed legislation.

<sup>7</sup> The revenue estimates are available at the OCFO website at [http://www.cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/revenue\\_estimates\\_022509.pdf](http://www.cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/revenue_estimates_022509.pdf).